

financial instruments, such as REIT Index options (including full-value and reduced-value long-term Index options), can commence on a national securities exchange. The Commission notes that the trading of standardized, exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) The special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options and Index long-term options will be subject to the same regulatory regime as the other standardized options currently traded on the Amex, the Commission believes that adequate safeguards are in place to ensure the protection of investors in REIT Index options and full-value and reduced-value long-term Index options.

#### C. Surveillance

The Commission believes that a surveillance sharing agreement between an exchange proposing to list a security index derivative product and the exchange(s) trading the securities underlying the derivative product is an important measure for surveillance of the derivative and underlying securities markets. Such agreements ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the security index product less readily susceptible to manipulation.<sup>24</sup> In this regard, the NYSE, Amex, and NASD, which currently are the primary markets for the REITs comprising the Index, are all members of the ISG, which provides for the exchange of all necessary surveillance information.<sup>25</sup> Further, the Commission believes that the procedures Morgan Stanley has established in connection with possible consultations between itself and the Amex provide further assurances that the Index will not be susceptible to manipulation.<sup>26</sup>

#### D. Market Impact

The Commission believes that the listing and trading on the Amex of options on the REIT Index, including full-value and reduced-value long-term Index options, will not adversely affect the underlying securities markets.<sup>27</sup>

First, as described above, no one security dominates the Index. Second, the Exchange's listing and maintenance criteria should ensure that the component securities generally will be actively-traded, highly capitalized securities.<sup>28</sup> Third, the 10,500 contract position and exercise limits applicable to Index options and long-term Index options will serve to minimize potential manipulation and market impact concerns. Fourth, the risk to investors of contra-party non-performance will be minimized because the Index options and Index long-term options will be issued and guaranteed by The Options Clearing Corporation just like any other standardized option trading in the United States.

Lastly, the Commission believes that settling expiring REIT Index options (including full-value and reduced-value Index long-term options) based on the opening prices of component securities is consistent with the Act. As noted in other contexts, valuing options for exercise settlement on expiration based on opening prices rather than closing prices may help to reduce adverse effects on markets for securities underlying options on the Index.<sup>29</sup>

#### E. Accelerated Approval of Amendment No. 2

The Commission finds good cause for approving Amendment No. 2 to the Exchange's proposed rule change prior to the thirtieth day after the date of

have the necessary systems capacity to support those new series of index options that would result from the introduction of options and long-term options on the REIT Index. See letter from Edward Cook, Jr., Managing Director, Information Technology, Amex, to Michael Walinskas, Branch Chief, Division of Market Regulation, Commission, dated May 2, 1995; and letter from Joseph P. Corrigan, Executive Director, OPRA, to Michael Walinskas, Branch Chief, Division of Market Regulation, Commission, dated May 23, 1995.

<sup>28</sup> The Commission notes that although 90.8% of the Index's components currently are options eligible, the Exchange's proposed maintenance criteria do not require a minimum percentage of components to be options eligible securities. The Amex maintenance criteria will require for each component, however, that it have a minimum market capitalization of \$75 million, a market price of at least \$5.00 for specified periods, and a trading volume of at least 900,000 shares during the preceding six months. These criteria are generally consistent with the Amex's generic narrow-based index option maintenance listing standards. See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062. The Commission also notes that the Index is made up of a large number of securities (currently 87), and that the eight component securities that are not options eligible, representing 9.2% of the number of securities in the Index, account for only 4.33% of the Index value. See *supra* Section II.B., *Composition of the Index*. Therefore, the Commission believes that the listing and trading of REIT Index options will not have an adverse market impact.

<sup>29</sup> See Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376.

publication of notice of filing thereof in the **Federal Register**. Amendment No. 2 serves to clarify the Exchange's proposal by providing additional information, including the number of Index components that are eligible for standardized options trading, strike price intervals, and position limits. Accordingly, the Commission finds that no new regulatory issues are raised by Amendment No. 2. Therefore, the Commission believes it is consistent with Sections 19(b)(2) and 6(b)(5) of the Act to approve Amendment No. 2 to the Exchange's proposal on an accelerated basis.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 2. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submissions, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to the file number in the caption above and should be submitted by September 11, 1995.

#### V. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).<sup>30</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-Amex-95-06), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>31</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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<sup>24</sup> Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45829.

<sup>25</sup> See *supra* note 18 and accompanying text.

<sup>26</sup> See *supra* note 19 and accompanying text.

<sup>27</sup> In addition, the Amex and the Options Price Reporting Authority ("OPRA") have stated that they

<sup>30</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>31</sup> 17 CFR 200.30-3(a)(12) (1994).

**DEPARTMENT OF TRANSPORTATION****Coast Guard****[CGD-08-95-018]****Houston/Galveston Navigation Safety Advisory Full Committee, and Navigation and Waterways Subcommittee Meetings****AGENCY:** Coast Guard, DOT.**ACTION:** Notice of meetings.

**SUMMARY:** The Houston/Galveston Navigation Safety Advisory Committee (HOGANSAC) and its two standing subcommittees will meet to discuss waterway improvements, aids to navigation, electronic chart systems, and various other navigation safety matters affecting the Houston/Galveston area. The meeting will be open to the public.

**DATES:** The Navigation Subcommittee meeting will be held from 9 a.m. to 10:30 a.m., on Thursday, September 14, 1995. The Waterways Subcommittee meeting will be held the same day from 10:30 a.m. to 12 noon. The full committee meeting will be held from 9 a.m. to approximately 1 p.m. on Thursday, September 28, 1995.

**ADDRESSES:** Both subcommittee meetings will be held at the Port of Houston Authority offices, 111 East Loop North, Houston, Texas. The full committee meeting will be held in the conference room of the Houston Pilots Office, 8150 South Loop East, Houston, Texas.

**FOR FURTHER INFORMATION CONTACT:** Mr. M.M. Ledet, Recording Secretary, Commander, Eighth Coast Guard District (oan), Room 1211, Hale Boggs Federal Building, 501 Magazine Street, New Orleans, LA 70130-3396, telephone (504) 589-4686.

**SUPPLEMENTARY INFORMATION:** Notice of these meetings is given pursuant to the Federal Advisory Committee Act, 5 U.S.C. App. 2 section 1 *et seq.* The meetings are open to the public. Members of the public may present written or oral statements at the meetings. The tentative agendas for the meetings will consist of the following items:

- (1) Fire response capabilities in the Houston/Galveston port area.
- (2) Various Coast Guard aid to navigation improvement initiatives.
- (3) Updates from the U.S. Army Corps on various waterway improvement projects.

Dated: August 2, 1995.

**R.C. North,***Rear Admiral, U.S. Coast Guard, Commander, Eighth Coast Guard District.*

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**Federal Aviation Administration****Approval of the Noise Compatibility Program for Palm Springs Regional Airport, Palm Springs, California****AGENCY:** Federal Aviation Administration, DOT.**ACTION:** Notice.

**SUMMARY:** The Federal Aviation Administration (FAA) announces its findings on the Noise Compatibility Program for the Palm Springs Regional Airport (PSP), submitted by the city of Palm Springs, California, under the provisions of Title I of the Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) (hereinafter referred to as "the Act") and 14 CFR Part 150. These findings are made in recognition of the description of Federal and non federal responsibilities in Senate Report No. 96-52 (1980). On November 28, 1994, the FAA determined that the Noise Exposure Maps, submitted by the city under 14 CFR Part 150, were in compliance with applicable requirements. On July 25, 1995, the Associate Administrator for Airports approved the Noise Compatibility Program for PSP. Twenty-four (24) of the twenty-six (26) proposed noise abatement measures were approved, one (1) measure was approved in part pending submission of additional information and the other measure was deferred pending additional information.

**EFFECTIVE DATE:** The effective date of the FAA's approval of the Noise Compatibility Program for Palm Springs Regional Airport is July 25, 1995.

**FOR FURTHER INFORMATION CONTACT:** Charles B. Lieber, Airport Planner, Airports Division, AWP-611.1, Federal Aviation Administration, Western-Pacific Region. Mailing address: P.O. Box 92007, Worldway Postal Center, Los Angeles, California 90009-2007. Telephone number: (310) 725-3614. Street address: 15000 Aviation Boulevard, Hawthorne, California 90261. Documents reflecting this FAA action may be reviewed at this same location.

**SUPPLEMENTARY INFORMATION:** This notice announces that the FAA has given its overall approval of the Noise Compatibility Program for Palm Springs Regional Airport, effective July 25, 1995.

Under Section 104(a) of the Aviation Safety and Noise Abatement Act of 1979 (herein after referred to as the "Act"), an airport operator who has previously submitted a Noise Exposure Map may submit to the FAA a Noise Compatibility Program which sets forth the measures taken or proposed by the airport operator for the reduction of existing non compatible land uses and prevention of additional non compatible land uses within the area covered by the Noise Exposure Maps. The Act requires such programs to be developed in consultation with interested and affected parties including local communities, government agencies, airport users, and FAA personnel.

Each airport Noise Compatibility Program developed in accordance with Federal Aviation Regulations (FAR) Part 150 is a local program, not a Federal Program. The FAA does not substitute its judgment for that of the airport proprietor with respect to which measures should be recommended for action. The FAA's approval or disapproval of FAR Part 150 program recommendations is measured according to the standards expressed in Part 150 and the Act, and is limited to the following determinations:

a. The Noise Compatibility Program was developed in accordance with the provisions and procedures of FAR Part 150;

b. Program measures are reasonably consistent with achieving the goals of reducing existing non compatible land uses around the airport and preventing the introduction of additional non compatible land uses;

c. Program measures would not create an undue burden on interstate or foreign commerce, unjustly discriminate against types or classes of aeronautical uses, violate the terms of airport grant agreements, or intrude into areas preempted by the Federal government and;

d. Program measures relating to the use of flight procedures can be implemented within the period covered by the program without derogating safety, adversely affecting the efficient use and management of navigable airspace and air traffic control responsibilities of the Administrator prescribed by law.

Specific limitations with respect to FAA's approval of an Airport Noise Compatibility Program are delineated in FAR Part 150, Section 150.5. Approval is not a determination concerning the acceptability of land uses under Federal, State or local law. Approval does not, by itself, constitute an FAA implementation action. A request for Federal action or approval to implement